# HOUSE BILL No. 1831

DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 2-2.1-4; IC 4-10-21.

**Synopsis:** Expenditure limitations. Limits the annual percentage increase in state expenditures to the lesser of: (1) 6%; or (2) the sum of the percentage increase in state population plus the rate of inflation. Allows voters or two-thirds of the members of the general assembly to authorize additional spending. Authorizes enforcement of these provisions by a private individual civil action or class action. Repeals business cycle state spending controls replaced by the spending cap established by this act.

**Effective:** July 1, 2005.

**Smith J**

January 25, 2005, read first time and referred to Committee on Ways and Means.

Introduced

First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.



# HOUSE BILL No. 1831

A BILL FOR AN ACT to amend the Indiana Code concerning the general assembly.

*Be it enacted by the General Assembly of the State of Indiana:*

SECTION 1. IC 2-2.1-4 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]:

**Chapter 4. State Expenditure Limits**

**Sec. 1. As used in this chapter, "fiscal year's spending" means all expenditures from state funds and reserve increases in a state fiscal year, except the following:**

**(1) Refunds made in the current or next state fiscal year.**

**(2) Gifts.**

**(3) Federal funds.**

**(4) Collections for another government.**

**(5) Pension contributions by employees and pension fund earnings.**

**(6) Reserve transfers or expenditures.**

**(7) Damage awards.**

**(8) Property sales.**

**Sec. 2. As used in this chapter, "Indiana population" means the**

**total population of Indiana, as projected by the Indiana Business Research Center of the Kelley School of Business of Indiana University.**

**Sec. 3. As used in this chapter, "inflation" means the percentage change in the United States Bureau of Labor Statistics Consumer Price Index for Indiana, all items, and all urban consumers, or its successor index.**

**Sec. 4. As used in this chapter, "maximum annual percentage change in fiscal year spending" means the lesser of:**

**(1) the sum of:**

**(A) inflation; plus**

**(B) the percentage change in Indiana population;**

**in the calendar year preceding the calendar year in which a state fiscal year begins; or**

**(2) six percent (6%);**

**as adjusted for expenditure changes approved by voters after June 30, 2005, under section 7 of this chapter.**

**Sec. 5. As used in this chapter, "state fiscal year" means the twelve (12) month period beginning July 1 of a calendar year and ending June 30 in the following calendar year.**

**Sec. 6. Except as approved under section 7 or 8 of this chapter, fiscal year spending in a state fiscal year may not exceed an amount equal to the product of:**

**(1) one (1) plus the maximum annual percentage change in fiscal year spending applicable to that state fiscal year; multiplied by**

**(2) actual fiscal year spending for the immediately previous state fiscal year.**

**Sec. 7. If revenue from sources not excluded from a fiscal year's spending exceeds the spending limit imposed under this chapter for that state fiscal year, the excess shall be refunded in the next state fiscal year, except as to any amount that a majority of the voters voting in a general election agree to apply toward an increase in allowable spending under this chapter. Except as limited by the public question presented to the voters, an increase approved under this section shall be treated as a permanent increase in allowable spending.**

**Sec. 8. The general assembly, by joint resolution adopted by two-thirds (2/3) of the members of the senate and two-thirds (2/3) of the members of the house of representatives before the beginning of a state fiscal year, may authorize a state fiscal year's spending that exceeds the spending limits imposed by this chapter**

**for that state fiscal year. Each joint resolution adopted under this section may apply to only one (1) state fiscal year. An increase approved under this section applies only to the state fiscal year specified in the joint resolution. The spending limitation for subsequent state fiscal years shall be computed as if the joint resolution had not been approved.**

**Sec. 9. This chapter may be enforced in a private individual civil action or class action. Successful plaintiffs shall be allowed costs and reasonable attorney's fees. The state may recover costs and reasonable attorney's fees only if the court rules that an action filed against the state under this section is frivolous. Revenue collected, kept, or spent in violation of this chapter for the four (4) state fiscal years preceding the date that the civil action is filed shall be refunded with ten percent (10%) annual simple interest commencing for each state fiscal year on the date the state exceeds the spending limitation imposed for that state fiscal year under this chapter.**

**Sec. 10. Subject to judicial review, the state may use any reasonable method for refunds under section 7 or 9 of this chapter, including temporary tax credits or rate reductions. Refunds are not required to be proportional if it is impractical to identify or return prior payments.**

SECTION 2. IC 4-10-21 IS REPEALED [EFFECTIVE JULY 1, 2005].

SECTION 3. [EFFECTIVE JULY 1, 2005] **IC 2-2.1-4, as added by this act, applies only to expenditures for state fiscal years (as defined in IC 2-2.1-4-5, as added by this act) that begin after June 30, 2005.**